

NRRIT

National Railroad Retirement Investment Trust

October 2003

QUARTERLY UPDATE FOR THE PERIOD ENDING SEPTEMBER 30, 2003

The National Railroad Retirement Investment Trust ("NRRIT" or "Trust") issues a Quarterly Update to provide current information on Trust operations and activities relating to its investment operations. This Update reports on the Trust's activities for the quarter ending September 30, 2003. A copy of the Annual Management Report and each Quarterly Update is available on the website of the Railroad Retirement Board ("RRB"), <http://www.rrb.gov>.

As of September 30, 2003, NRRIT had received a total of \$20.7 billion from the RRB for investment. Most of this amount was transferred to it periodically during the first six months of its fiscal year beginning in October 2002, but an additional amount of \$1.4 billion was received during the quarter just ended. Also during the quarter, NRRIT began transferring monies back to the RRB to help fund benefit payments and administrative expenses, and will continue to do so on a regular basis. NRRIT expects to receive a smaller amount of additional funds for investment from the RRB during the next quarter and anticipates it will have received its full investment allocation by early 2004.

Investment Performance

At the outset of its investment activities, the Trust adopted a policy of investing its assets in indexed accounts targeted to its major asset class allocation. With approximately 65% of assets indexed to equities, the Trust continued to benefit from rising stock prices in the quarter ended September 30, 2003. The Trust's target equity indexes are the Wilshire 5000 Index and the MSCI World Ex-US Index, which increased 3.7% and 8.1% respectively during the quarter. Its fixed income investment allocation targets the Lehman Aggregate Bond Index, which declined 0.1% in the quarter. The market value of NRRIT-managed assets increased to \$23.0 billion at the end of the quarter. The combined total of NRRIT investment funds and assets held in the Treasury accounts as of September 30, 2003 is approximately \$24.2 billion. This amount represents an increase of \$3.5 billion above the \$20.7 billion equivalent value of Railroad Retirement System assets on February 1, 2002, the inception date of the Trust.

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For the full year ended September 30, 2003, the investment portfolio managed by NRRIT achieved a 19.9% rate of return. This compares favorably to its composite benchmark index which increased 18.8% for the year. The Trust's performance is partially attributable to a steady pace of investment in a generally volatile market environment in the early part of the year and a marginal overweighting in equities which performed well.

NRRIT's Annual Management Report for Fiscal Year 2003, expected to be issued in January 2004, will contain additional information regarding the Trust's investment activities as well as other financial information.

Investment Staff

During the quarter, David J. Locke joined the Trust as Director of Private Equity. Mr. Locke is a graduate of California State University and received a MBA degree from the University of Southern California. He spent seven years at the Los Angeles County Employees Retirement Association where he managed private equity investments. Before joining NRRIT in August, Mr. Locke spent the previous two years at Prudential Financial managing private equity fund-of-funds activity.